LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6203 **NOTE PREPARED:** Dec 21, 2011
BILL NUMBER: SB 319 **BILL AMENDED:**

SUBJECT: Certified Technology Parks.

FIRST AUTHOR: Sen. Lanane **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **X** **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: The bill allows a certified technology park (CTP) to capture incremental state income and sales taxes and local income taxes for a business that incubates in the CTP and then relocates outside the CTP but within the same county. It phases out the amount of the captured increment over five years. It allows a CTP to apply to the Indiana Economic Development Corporation (IEDC) to redraw the boundaries of the CTP at the time of a recertification. It also allows the IEDC to redraw the CTP if the IEDC finds that certain conditions are present.

Effective Date: July 1, 2012.

Explanation of State Expenditures: *Department of State Revenue (DOR)*: The bill would result in additional administrative tasks for DOR to recalculate the CTP incremental amounts. The DOR should be able to complete the tasks required by the bill under current resource levels.

Indiana Economic Development Corporation: The bill would result in additional administrative work for the IEDC to redraw boundaries but can be done with existing resources.

Explanation of State Revenues: *Capture of Non-Incremental Revenue by CTPs:* The bill could potentially allow the certified technology park in Anderson (called the Flagship Enterprise Center) to capture non-incremental revenue from sales tax and state income tax for four years. If the special revenue capture is allowed beginning in FY 2013, the revenue loss from sales tax and state income tax captured by the Anderson CTP could total $324,000 in FY 2013, $243,000 in FY 2014, $162,000 in FY 2015, and $81,000 in FY 2016. This assumes that all of the incremental revenue captured by the Anderson CTP in FY 2007 was attributable to Delco-Remy, which left the CTP in February 2008. The potential impact from application of this provision to any of the other 19 CTPs in the state is unknown and depends on how many meet the special conditions specified in the bill.

CTP Expansions: The bill could lead to an expansion of the CTP in Anderson when it is recertified by the IEDC. This would allow the CTP to capture additional incremental sales tax and state income tax revenue from businesses in the territory added to the CTP. The potential impact from application of this provision to any of the other 19 CTPs in the state is unknown and depends on how many meet the special conditions specified in the bill.

Background Information - Currently, there are 20 CTPs statewide which were designated by the Indiana Economic Development Corporation. The CTPs must be reviewed and recertified by the IEDC every four years. The CTPs are authorized to capture incremental sales tax, state income tax, and local option income tax revenue that is generated within the CTP. While there is no annual revenue capture limit for the CTPs, there is a lifetime capture limit of $5 M for each CTP.

Capture of Non-Incremental Revenue by CTPs - The bill allows a CTP to capture non-incremental revenue from sales tax, state income tax, and local income taxes that are generated in the CTP if the IEDC finds that:

(1) a business was located in the CTP when it was initially designated by the IEDC;
(2) the business grew within the CTP;
(3) the business subsequently relocated within the same county but outside of the CTP; and
(4) the business's relocation reduced incremental sales tax, state income tax, and local option income tax revenue generated in the CTP to zero.

The bill allows the capture of non-incremental revenue to occur for four years, with the 1st year capture amount equal to 80% of the incremental sales and income tax revenue that was attributable to the business that relocated from the CTP in the last state fiscal year before its relocation. For purposes of the revenue capture amount after the first year, the multiplier would decline to 60% in the 2nd year, 40% in the 3rd year, and 20% in the 4th year.

This provision applies at least to the Anderson CTP (called the Flagship Enterprise Center). The extent that this provision would apply to another of the 19 CTPs in the state is unknown. Delco-Remy was located in the Anderson CTP when it was designated by the IEDC in 2004. The Anderson CTP captured incremental tax revenue from FY 2004 to FY 2007. However, Delco-Remy relocated from the Anderson CTP to the former Guide Corp. headquarters in Pendleton in February 2008. Consequently, the Anderson CTP's base period amounts exceeded the actual revenue collections in the CTP until FY 2011. This meant that the CTP did not have incremental sales tax, state income tax, or local option income tax revenue to capture from FY 2008 to FY 2010. However, income tax growth in the CTP was sufficient to allow the CTP to capture state and local income tax in FY 2011. The revenue capture amounts by year of capture for the Anderson CTP are reported in the table below. (Note: The revenue capture amounts reported in the table were distributed to the Anderson CTP in the fiscal year following the year of capture.)

	Incremental Revenue Captured by the Anderson CTP			
Fiscal Year of Capture	**Sales Tax**	**State Income Tax**	**Local Option Income Tax**	**Total**
2004	$23,074	$16,443	$13,109	$52,626
2005	390,536	161,197	47,411	599,144
2006	20,115	238,563	70,165	328,843
2007	130,482	274,785	101,024	506,291
2008-2010	0	0	0	0
2011	0	125,785	46,245	172,030
Total	**$564,207**	**$816,773**	**$277,954**	**$1,658,934**

CTP Expansions - The bill allows a CTP to expand when it is recertified by the IEDC, if the IEDC finds that the CTP meets the conditions outlined in (1) to (4) above and finds that the expansion will enhance the development of the CTP. Current statute does not provide for the expansion of CTPs beyond the boundaries initially designated by the IEDC, except for a CTP designated before 2005 with the expansion to include adjacent territory in another county that is under the jurisdiction of the local unit and redevelopment commission operating the CTP. As with the revenue capture provision described above, this provision at least applies to the Anderson CTP. The extent that this provision would apply to another of the 19 CTPs in the state is unknown.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Capture of Non-Incremental Revenue by CTPs:* The bill could potentially allow the certified technology park in Anderson to capture non-incremental revenue from local option income tax for four years. If the special revenue capture is allowed beginning in FY 2013, the revenue loss to Madison County local units from local option income tax captured by the Anderson CTP could total $80,800 in FY 2013, $60,600 in FY 2014, $40,400 in FY 2015, and $20,200 in FY 2016. This assumes that all of the incremental revenue captured by the Anderson CTP in FY 2007 was attributable to Delco-Remy which left the CTP in February 2008. The potential impact from application of this provision to any of the other 19 CTPs in the state is unknown and depends on how many meet the special conditions specified in the bill.

State Agencies Affected: IEDC; DOR.

Local Agencies Affected: Certified Technology Parks, particularly, the Anderson CTP; local units receiving local option income tax where CTPs are located, particularly Madison County.

Information Sources: Department of State Revenue, CTP revenue capture data; Auditor of State, Revenue Trial Balance, FY 2004-FY 2011; LSA Fiscal Issue Brief, *Indiana's Geographically Targeted Development Programs: Certified Technology Parks*, September 27, 2010.

Fiscal Analyst: Jim Landers, 317-232-9869